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APPENDIX A-2013: 2013 FEDERAL INCOME TAX WITHHOLDING FORMULA AND OTHER RATES AND LIMITS

This appendix provides the 2013 Federal income tax withholding formula, Federal income tax withholding rate for supplemental payments, military deposit interest rates, back pay interest rates, OASDI and Medicare wage base and withholding rates, as well as the Thrift Savings Plan (TSP), Flexible Spending Account (FSA), and Health Savings Account (HSA) annual contribution limits.

A. FEDERAL INCOME TAX WITHHOLDING FORMULA: The 2013 Federal income tax withholding formula affects the computation of the Federal income tax deductions for salary paid on or after January 1, 2013. The following are the procedures for computing the 2013 Federal income tax withholding:

1. Calculate the annualized gross wages by multiplying the biweekly gross wages by 26 pay periods.
2. If the employee participates in TSP, TSP Catch-Up, FSA program, Federal Employees Health Benefits – Premium Conversion (FEHB-PC) program, FEDVIP Vision/Dental and/or Health Savings Account (HSA), multiply the biweekly deductions by 26 and subtract this result from the annualized gross wages to determine the adjusted annualized gross wages.
3. Multiply the number of exemptions claimed by \$3,900.00 and subtract this result from the adjusted annualized gross wages to determine taxable wages.
4. If the employee is **SINGLE** or **HEAD OF HOUSEHOLD**, apply the rates below to taxable wages to determine the annual tax amount.

TAXABLE WAGES		
OVER	NOT OVER	AMOUNT OF TAX
\$0.00	\$2,200.00	\$0.00 plus 0.0% over \$0.00
\$2,200.00	\$11,125.00	\$0.00 plus 10.0% over \$2,200.00
\$11,125.00	\$38,450.00	\$892.50 plus 15.0% over \$11,125.00
\$38,450.00	\$90,050.00	\$4,991.25 plus 25.0% over \$38,450.00
\$90,050.00	\$185,450.00	\$17,891.25 plus 28.0% over \$90,050.00
\$185,450.00	\$400,550.00	\$44,603.25 plus 33.0% over \$185,450.00
\$400,550.00	\$402,200.00	\$115,586.25 plus 35.0% over \$400,550.00
\$402,200.00	AND OVER	\$116,163.75 plus 39.6% over \$402,200.00

5. If the employee is **MARRIED**, apply the rates below to the taxable wages to determine the annual tax amount.

TAXABLE WAGES		
OVER	NOT OVER	AMOUNT OF TAX
\$0.00	\$8,300.00	\$0.00 plus 0.0% over \$0.00
\$8,300.00	\$26,150.00	\$0.00 plus 10.0% over \$8,300.00
\$26,150.00	\$80,800.00	\$1,785.00 plus 15.0% over \$26,150.00
\$80,800.00	\$154,700.00	\$9,982.50 plus 25.0% over \$80,800.00
\$154,700.00	\$231,350.00	\$28,457.50 plus 28.0% over \$154,700.00
\$231,350.00	\$406,650.00	\$49,919.50 plus 33.0% over \$231,350.00
\$406,650.00	\$458,300.00	\$107,768.50 plus 35.0% over \$406,650.00
\$458,300.00	AND OVER	\$125,846.00 plus 39.6% over \$458,300.00

6. If the employee is a nonresident alien and has wages subject to income tax withholding, add \$2,200 to the employee's annualized gross pay. Use the employee's taxable wages (after adding \$2,200 and subtracting the withholding allowances in A2 and A3) to calculate the additional tax using the appropriate annual tax rate tables provided in A4 (Single or Head of Household); the single wage bracket table, regardless of the employee's marital status, must be used. Nonresident aliens are limited to one withholding allowance (exemption), unless they are a resident of Canada, Mexico, or Korea.

Note: Nonresident alien students from India and business apprentices from India are not subject to the procedure reflected above.

7. Divide the annual tax amount by 26 to determine the biweekly withholding amount.

B. FEDERAL WITHHOLDING FOR SUPPLEMENTAL PAYMENTS: For tax year 2013, the Federal tax withholding rate for supplemental payments remains at 25 percent and the State tax rate remains at 4 percent. The federal and state supplemental tax rate applies to such payments as awards, voluntary separation incentive payments, lump sum retention, recruitment/relocation incentives, and lump sum annual leave payments.

C. MILITARY SERVICE DEPOSIT RATES: The following are calendar year interest rates to be used for computing military service deposits.

Year	Interest Rate %	Year	Interest Rate %
2013	1.625	1998	6.750
2012	2.250	1997	6.875
2011	2.750	1996	6.875
2010	3.125	1995	7.000
2009	3.875	1994	6.250
2008	4.750	1993	7.125
2007	4.875	1992	8.125

Year	Interest Rate %	Year	Interest Rate %
2006	4.125	1991	8.625
2005	4.375	1990	8.750
2004	3.875	1989	9.125
2003	5.000	1988	8.375
2002	5.500	1987	9.000
2001	6.375	1986	11.125
2000	5.875	1985	13.000
1999	5.750	1948-1984	3.000

D. BACK PAY INTEREST RATES: The interest rate table below reflects the annual interest rate percentage from the OPM back-pay award interest program. Back pay interest rate percentages prior to 2010 can be found on OPM's website:

<http://www.opm.gov/policy-data-oversight/pay-leave/pay-administration/fact-sheets/interest-rates-used-for-computation-of-back-pay/>

First Day of Quarter:	Annual Interest Rate:	First Day of Quarter:	Annual Interest Rate:
January 1, 2013	3%	April 1, 2011	4%
October 1, 2012	3%	January 1, 2011	3%
July 1, 2012	3%	October 1, 2010	4%
April 1, 2012	3%	July 1, 2010	4%
January 1, 2012	3%	April 1, 2010	4%
October 1, 2011	3%	January 1, 2010	4%
July 1, 2011	4%	<i>Prior to 2010</i>	Refer to OPM Web site above.

E. OASDI and MEDICARE WAGE BASE AND WITHHOLDING RATES: The OASDI wage base for 2013 is \$113,700. For the 2013 tax year, the OASDI withholding rate increased to the regular rate of 6.2% for the employee share; the employer share remains at 6.2%. The wage base for Medicare is still unlimited and the withholding rate for Medicare remains at 1.45%. Beginning in 2013, an additional 0.9% for Medicare tax will be withheld from employee earnings in excess of \$200,000. The additional 0.9% Medicare tax will be withheld in the pay period in which the employee's wages are in excess of \$200,000 and will continue until the end of the calendar year. The additional 0.9% Medicare tax is only imposed on the employee; there is no employer share for the additional tax rate.

F. THRIFT SAVINGS PLAN ANNUAL LIMIT: For 2013, the TSP maximum annual deferral limit is increased to \$17,500 and the maximum annual deferral limit for TSP catch-up remains unchanged at \$5,500.

G. FLEXIBLE SPENDING ACCOUNTS ANNUAL LIMIT: For 2013, the maximum contribution limit for a Health Care FSA (HCFSAs) or Limited Expense HCFSAs (LEX HCFSAs) decreased to \$2,500 per account. The maximum contribution limit for a Dependent Care FSA (DCFSA) remains at \$5,000 or \$2,500 if employee is married and filing separately.

H. HEALTH SAVINGS ACCOUNT: For 2013, the maximum contribution limit for the Health Savings Account (HSA) is \$6,450 for family coverage and \$3,250 for self-only coverage. Participation in an HSA requires enrollment in a High Deductible Health Plan. If the taxpayer (or spouse) is age 55 or older, the contribution limit is increased by \$1,000; if the taxpayer and spouse are age 55 or older, the contribution limit is increased by \$2,000. However, HSA contributions must stop once the taxpayer and/or spouse become enrolled in Medicare.

I. RESCISSION: This appendix rescinds Volume XV, Chapter 4, *Deductions*, Appendix A-2012 (rev): 2012 Federal Income Tax Formula and Other Rates and Limits dated March 2012.